

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair*

JOHN W. PARSONS, ESQ., *Executive Director*

Auditor: SUZANNE M. BUMP | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES J. GUIDO | RICHARD MACKINNON, JR. | JENNIFER F. SULLIVAN, ESQ.

MEMORANDUM

TO: Shrewsbury Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: November 21, 2022

This Commission is hereby furnishing you with approval of the revised funding schedule the Board recently adopted (copy enclosed). The schedule is effective in FY23 and FY24 only.

The System has a funded ratio of more than 100%. The surplus is \$9.0 million. The scheduled appropriation for FY24 is essentially twice that of the normal cost. This is a reasonable approach. Since the schedule decreases dramatically in FY25, we are approving the schedule only through FY24. We generally recommend that a System maintains an appropriation of at least the normal cost until the System is well overfunded (130% for example). We expect the System will complete an actuarial valuation as of January 1, 2023 to determine the FY25 appropriation.

The Board maintained a 7.5% investment return assumption in this valuation. Note that this is greater than the high end of our reasonable range for this assumption as of January 1, 2022. We are typically recommending an assumption of 7.0% (or lower) for our 2022 actuarial valuations. Our wider reasonable range for our 2021 valuations is 6.0% to 7.35%. The 7.50% assumption is above the high end of our reasonable range. For comparison, 56 systems are using an assumption of 7.0% or below. We roughly estimated that the actuarial liability would increase by about \$8 million if a 7.0% investment return assumption were used.

We are available to discuss these issues further. If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

JWP/jfb

P:\actuarial\APPROP\Approp23\shrewsbury approval.docx

Enc.



[https://shermanactuary-my.sharepoint.com/personal/dan_shermanactuary_com/Documents/Recovered Data/Shrewsbury/Val22/\[Shrew22_Val.xlsx\]Amoris](https://shermanactuary-my.sharepoint.com/personal/dan_shermanactuary_com/Documents/Recovered%20Data/Shrewsbury/Val22/[Shrew22_Val.xlsx]Amoris)

Appropriation Forecast

Fiscal		Employer	Amortization	Employer	Employer		
Year		Employee	Normal Cost	Payments	Total Cost	Total Cost	Funded
Ending	Payroll*	Contribution	with Interest	with Interest	with Interest	% of Payroll	Ratio %**
2023	\$27,225,370	\$2,471,101	\$648,221	\$410,143	\$1,058,364	3.9	106.2
2024	\$28,314,385	\$2,593,655	\$649,194	\$649,194	\$1,298,388	4.6	106.9
2025	\$29,446,960	\$2,722,059	\$649,208	(\$2,266,182)	(\$1,616,974)	-5.5	107.7
2026	\$30,624,839	\$2,856,586	\$648,184	(\$2,266,182)	(\$1,617,998)	-5.3	106.7
2027	\$31,849,832	\$2,997,520	\$646,039	(\$2,266,182)	(\$1,620,143)	-5.1	105.6
2028	\$33,123,825	\$3,145,157	\$642,686	(\$2,266,182)	(\$1,623,496)	-4.9	104.6
2029	\$34,448,778	\$3,299,810	\$638,030	(\$2,266,182)	(\$1,628,152)	-4.7	103.5
2030	\$35,826,730	\$3,461,803	\$631,974	(\$2,266,182)	(\$1,634,208)	-4.6	102.3
2031	\$37,259,799	\$3,631,475	\$624,413	(\$2,266,182)	(\$1,641,769)	-4.4	101.2
2032	\$38,750,191	\$3,809,183	\$615,236	\$0	\$615,236	1.6	100.0
2033	\$40,300,198	\$3,995,296	\$604,325	\$0	\$604,325	1.5	100.0
2034	\$41,912,206	\$4,190,205	\$591,557	\$0	\$591,557	1.4	100.0
2035	\$43,588,695	\$4,394,313	\$576,801	\$0	\$576,801	1.3	100.0
2036	\$45,332,242	\$4,608,045	\$559,917	\$0	\$559,917	1.2	100.0
2037	\$47,145,532	\$4,831,846	\$540,761	\$0	\$540,761	1.1	100.0
2038	\$49,031,353	\$5,066,177	\$519,175	\$0	\$519,175	1.1	100.0
2039	\$50,992,607	\$5,311,524	\$494,998	\$0	\$494,998	1.0	100.0
2040	\$53,032,312	\$5,568,393	\$468,056	\$0	\$468,056	0.9	100.0
2041	\$55,153,604	\$5,791,128	\$486,778	\$0	\$486,778	0.9	100.0
2042	\$57,359,748	\$6,022,774	\$506,249	\$0	\$506,249	0.9	100.0
2043	\$59,654,138	\$6,263,685	\$526,499	\$0	\$526,499	0.9	100.0
2044	\$62,040,304	\$6,514,232	\$547,559	\$0	\$547,559	0.9	100.0
2045	\$64,521,916	\$6,774,801	\$569,462	\$0	\$569,462	0.9	100.0
2046	\$67,102,793	\$7,045,793	\$592,240	\$0	\$592,240	0.9	100.0
2047	\$69,786,904	\$7,327,625	\$615,930	\$0	\$615,930	0.9	100.0
2048	\$72,578,380	\$7,620,730	\$640,567	\$0	\$640,567	0.9	100.0
2049	\$75,481,516	\$7,925,559	\$666,190	\$0	\$666,190	0.9	100.0
2050	\$78,500,776	\$8,242,582	\$692,837	\$0	\$692,837	0.9	100.0
2051	\$81,640,807	\$8,572,285	\$720,551	\$0	\$720,551	0.9	100.0
2052	\$84,906,440	\$8,915,176	\$749,373	\$0	\$749,373	0.9	100.0
2053	\$88,302,697	\$9,271,783	\$779,348	\$0	\$779,348	0.9	100.0
2054	\$91,834,805	\$9,642,655	\$810,522	\$0	\$810,522	0.9	100.0

* Calendar basis

** Beginning of Fiscal Year